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RUEHMO/AMEMBASSY MOSCOW IMMEDIATE 0502  
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RHEFDIA/DIA WASHINGTON DC IMMEDIATE  
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SUBJECT: U/S LEVEY DISCUSSES NORTH KOREA WITH GUANGDONG  
DEVELOPMENT BANK

Classified By: Consul General Joe Donovan, Reason 1.4 b/d

11. (S) Summary: Treasury Undersecretary Levey discussed with Guangdong Development Bank (GDB) President Michael Zink concerns regarding North Korean illicit activity and deceptive financial practices. Zink allowed that GDB's wide branch network may have been used by North Korean entities, but promised to take action to prevent his bank's exposure to North Korean accounts. He noted that, as a joint stock company, GDB has more discretion over its accounts than Chinese State-owned banks. End Summary.

12. (C) Treasury U/S for Terrorism and Financial Intelligence Stuart Levey, accompanied by senior advisor Christy Clark, Secret Service Assistant Director Michael Merrit, and Consulate Economic Unit Chief met with GDB President Michael Zink July 10 to discuss UN Security Council resolutions directed at stopping North Korean proliferation of weapons of mass destruction (WMD). The delegation also briefed Zink on North Korea's production of extremely high quality counterfeit U.S. currency (known as "Supernotes"). U/S Levey noted North Korea's history of deceptive conduct and the difficulty of separating legitimate from illegitimate transactions when North Korean individuals and entities are involved. He predicted that increasing international pressure on North Korean access to the global financial system will push them to expand use of cash transactions and any existing relationships they have with Chinese banks. Levey asked whether Chinese banks face non-commercial pressure to continue relationships, in spite of suspected illicit activity, and if GDB was subject to that type of pressure.

13. (C) Zink acknowledged that the Citibank-installed management of GDB does not always have full control of all bank operations. Its status as a joint stock company controlled by a foreign firm, however, insulates them somewhat from political pressure. He added that, although Chinese businesses tend to push the regulatory envelope at every opportunity, strict oversight and heavy penalties would keep his bank branches in line. Given the limited nature of North Korean-linked business, there is no commercial incentive to maintain relationships with suspicious entities, said Zink. He insisted that GDB would sever any ties to such customers.

14. (S) U/S Levey shared specific information suggesting KOMID front company Global Trading and Technology has a banking relationship with GDB. He warned that this is just

one example of a North Korean entity using deception to access the international financial system for transactions prohibited by UNSCRs. Zink assured Levey that GDB has more discretion to act on such information than some state-owned banks.

15. (U) U/S Levey has cleared this cable.  
DONOVAN